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Noted by D/DCI

12/6/52 at

28 November 1952

*file with my copy
of AODI diary for
28 Nov.*

MEMORANDUM FOR GENERAL SMITH

SUBJECT: Solution in Iran

I. Facts - Oil must move and soon; otherwise Mossadegh is likely to make decisions that will place the situation beyond recall.

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Britain must obtain compensation in real wealth whether oil or hard currency

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Amount involved does not exceed \$500,000,000.

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Cost to U. S. if Iran falls to Commies is 3-6 billion at a minimum

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II. Solution - Create a U. S. corporation to purchase oil from NIOC and to run fields and refineries to extent Iran requests.

Corporation issues its common stock to selected participating U. S. oil companies in exchange for their stock. Amount of this to be equal to the value of an exclusive right for 5-10 years to deal in Iranian oil.

Corporation issues a special stock or a subordinated note to the U. S. Government in return for cash equal to minimum settlement Britain would accept for expropriated properties.

Corporation then turns over the participating oil companies' stock and cash to the Anglo-Iranian company in payment for an absolute assignment of all the latter's right, title and interest in Iran, including claims against the Government and the NIOC.

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III. Results - Anglo-Iranian becomes in effect a holding company of American oil shares augmenting holdings by cash purchases on open market if it so desires. Thus it would become a solid asset and a good income producer for Britain.

25X6A An American organization handles the transport and marketing of Iranian oil, driving the best bargain it can with Mossadeq, but at least starting the flow promptly. An American private concern - backed as necessary by the State Department - then proceeds to negotiate and/or arbitrate the compensation for the expropriated properties. This should be done without the bitterness and suspicion that has primarily prevented any reasonable agreement [REDACTED]

American private initiative is enlisted to re-introduce Iranian oil and products into world markets in the most orderly fashion. They are asked to risk little and whatever risk they do take is pretty well minimized by tax deductions against excess profits taxes.

U. S. Government's initial cost might be several hundred million but this would be reduced by whatever Iran agrees to pay whether in oil or otherwise. Its ultimate net cost would be ridiculously cheap compared to the cost to the national security by loss of Iran.

Chief merit of the solution is its relative simplicity and the speed with which the immediately important aspects of the problem can be handled without being tied to the knotty problem of calculating and adjusting compensation.

[REDACTED] 25X1A9a

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Acting Deputy Director/Intelligence

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